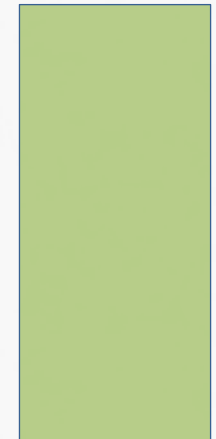


Investments And Pensions Oversight Committee

Senator George K. Munoz, Chair
October 23, 2012

Gerald Chavez, PERA Board Chair
Wayne Propst, PERA Executive Director



Update on PERA Fund Status

- PERA will report an increase of \$1.2 billion (from approximately \$5 billion to \$6.2 billion) in its unfunded liability as of June 30, 2012 based on our FY12 actuarial valuation. While PERA had expected an increase in liabilities, the one-year jump over June 30, 2011 was greater than anticipated.
- The increase was driven primarily by poor investment performance in FY12.
- PERA's funded status has declined from 70.5% to 65.3%.
- PERA's investment returns for the past 12 months and the first quarter of FY13 have shown improvement.

PERA Reform Proposal

- **Non-Public Safety Employees Hired After 6/30/10**
 - 0.5% Reduction in Annual Pension Factor
 - Retirement Eligibility: Age and Service Rule of 85 or Age 65 with 8 Years of Service
 - 5-year Final Average Salary
 - 8-year Vesting
 - 90% Pension Maximum
 - 2% Compounding COLA
 - Seven full calendar year eligibility period to receive COLA
- **Public Safety Employees Hired After 6/30/10**
 - 0.5% Reduction in Annual Pension Factor
 - Retirement Eligibility: Age and Service Rule of 75 or Age 60 with 6 Years of Service
 - 5-year Final Average Salary
 - 6-year Vesting
 - 90% Pension Maximum
 - 2% Compounding COLA
 - Seven full calendar year eligibility period to receive COLA

PERA Reform Proposal

- **Current Retirees:**
 - Reduce annual compounding COLA rate from 3% to 2%.
 - Suspend COLA for return to work retirees during period of reemployment.
- **Current Active Members Hired Prior to July 1, 2010:**
 - Reduce annual compounding COLA from 3% to 2%.
 - Graduated seven full calendar year eligibility to receive COLA. No change in COLA one-year eligibility for employees who retire age 65 or older or retire due to a disability.
 - 90% Pension Benefit Maximum.

PERA Reform Proposal

- **Employer/Employee Contributions Effective 7/1/2013:**
 - Increase employee contribution rate by 1.50%.
 - Accomplished for state employees by removing sunset of contribution shift.
 - Beginning 7/1/2014 and for the following two fiscal years, increase all statutory employer contribution rates by 0.50% each fiscal year (total of 1.50%).

Conclusion

- While a snapshot of the Fund on a single day, PERA's most recent actuarial valuation liability lends urgency to passing pension reform legislation in 2013.
- Because the Board built in significant room to allow for uncertainty in the market, even with the most recent valuation results the Fund is expected to still reach 100% funded status on or before 2042 if the Board's reform proposal is adopted. The Fund will continue to improve significantly when the new tier members begin to retire.